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CENTRAL INTELLIGENCE AGENCY

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SUPPLEMENT TO  
REPORT NO. [REDACTED]

COUNTRY Austria/US R

SUBJECT USIA Negotiations with Non-USIA Siemens-Schuckert, Nibelungengasse, Vienna, re Price Cuts

PLACE  
ACQUIRED [REDACTED]

DATE OF IN [REDACTED]

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[REDACTED] Sharikov of the Electrical Industry Division of USIA called Directors Rudolf David and Johann Zehetner of Siemens-Schuckert, Nibelungengasse, to a meeting in USIA Headquarters. The meeting was attended by Ivanov,\* Kosssov\* and an unidentified high-ranking civilian who the source believes may have been Tikhomirov\*. The subject of the discussion was the recent price cuts by non-USIA Siemens-Schuckert, Nibelungengasse\*\*.

2. At this third meeting, the Soviets suggested that the Siemens-Schuckert, Nibelungengasse representatives use their influence with the Austrian Government to stop construction of the OEG works in Deuchendorf Styria, and also requested the non-USIA Siemens to stop production of electric motors in its Salzburg and Vienna factories. The Soviet representatives stated that as the cessation of this production would mean a loss for Siemens-Schuckert, Nibelungengasse, USIA would be willing to purchase the entire stock of motors on hand, raw materials, spare parts, and the entire inventory of capital goods used in production. [REDACTED] this material is valued at approximately six to eight million Austrian schillings. David and Zehetner refused on the grounds that this would give a monopoly on the production of electric motors to USIA. The Soviets then countered with a proposal that Siemens-Schuckert, Nibelungengasse enter into a price agreement with USIA and raise the prices of their 4 to 7.5 hp electric motors to the USIA level for the same items. David and Zehetner refused on the basis that this would constitute a form of cartel forbidden by Austrian law and contrary to the policies of the Allied Council. The Soviets then warned that USIA would continue to block deliveries to non-USIA Siemens and would enter into severe competition.

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3. Since this meeting, USIA has made new contracts with its Austrian customers, cutting prices on motors by 25 percent, and has offered better discounts for large orders. USIA has also approached non-USIA customers in the Western Zones of Austria, offering copper wire, and other electrical equipment at prices 30 percent below those of Siemens-Nibelungengasse. [REDACTED] the Upper Austrian Government is concerned over the Soviet attempt at economic infiltration of the western provinces.

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This document is hereby regraded to CONFIDENTIAL in accordance with the letter of 16 October 1978 from the Director of Central Intelligence to the United States.

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4. [REDACTED] the Soviets are preparing for a price war with the non-USIA electrical industry. He states that USIA's previous profit margin on schilling sales was sufficient to permit large exports of electric motors for hard currency at prices undercutting the world market. The hard currency that was accrued was used to purchase copper and other hard items abroad. A price cut in the local schilling market would thus remove the profit margin and curtail hard currency exports. [REDACTED] believe that USIA can afford a 25 percent cut to meet new non-USIA Siemens prices, even if the export market is given up. [REDACTED] that USIA plants produce 2,000 motors of all types per month at an average production cost of 1,500 schillings each. A price cut to 25 percent would thus mean the loss of 750,000 schillings per month which could not be borne over a long period. Siemens-Nibelungengasse, however, plans to cut prices an additional 5 percent after the Deuchendorf project begins production sometime in July 1949.

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25X1A [REDACTED] Comment: Ivanov is evidently Capt. Ivanov, Commercial Director of the Sales and Purchases Office of the Electrical Industry Division of USIA. Kossov is probably identical with Col. Kosov of the Electrical Industry Division of USIA. Tikhomirov is General Director of USIA.

25X1A [REDACTED] Comment: Two previous meetings were held between representatives of Siemens-Nibelungengasse and the Electrical Industry Division of USIA. At that time the Soviets offered a compromise on prices of electric motors, asked that the project in Deuchendorf, Styria be halted, and threatened cessation of USIA deliveries of electrical equipment to non-USIA plants in case of non-compliance. The deliveries were stopped but, according to [REDACTED] the loss of these supplies could be made up, once the Deuchendorf project begins production.

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